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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

BULK PARCEL RETURN SERVICE  
EXPEDITED MINOR CLASSIFICATION CASE

Docket No. MC99-4

DIRECT TESTIMONY  
OF  
MOHAMMAD A. ADRA  
ON BEHALF OF  
UNITED STATES POSTAL SERVICE

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## AUTOBIOGRAPHICAL SKETCH

My name is Mohammad Adra. I joined the Postal Service in January 1996 as an Economist in the Pricing division of Marketing Systems. Since that time, I have presented three pricing and classification testimonies before the Postal Rate Commission: 1) in Docket No. MC97-4, Bulk Parcel Return Service and Shipper Paid Forwarding Classification and Fees; 2) Docket No. MC97-3, Bound Printed Matter Weight Limitations; and 3) General Rate and Fee Changes, Docket No. R97-1 (pricing testimony for Bound Printed Matter, Special Standard, and Library mail). This is my fourth testimony before the Postal Rate Commission.

Before joining the Postal Service, I worked as an Operations Research Analyst at the US Department of Energy (1991-1995). My primary responsibilities were to develop a long-term energy demand forecasting model for the commercial sector as part of the National Energy Modeling System (NEMS) and to produce the official projections of the commercial sector model for the *Annual Energy Outlook*.

I have a Bachelor's Degree in Mathematics from the University of Colorado (1986), and an M.B.A. from California State University (1989). I am currently pursuing supplemental graduate courses in economics at Johns Hopkins University.

**I. PURPOSE AND SCOPE OF TESTIMONY**

The purpose of my testimony is to present the Postal Service's expedited minor classification proposal to amend the terms of Bulk Parcel Return Service (BPRS). The proposal does not entail any fee changes for BPRS. The Postal Service is proposing to revise the product definition of BPRS to allow the return of the two categories of BPRS-endorsed parcels in addition to the current category of undeliverable-as-addressed (UAA) parcels: (1) parcels that have been opened, resealed, and redeposited into the mail for return to the mailer using a BPRS return label; or (2) parcels that are found in the mailstream, having been opened, resealed, and redeposited by the recipient for return to the mailer, when it is impracticable or inefficient for the Postal Service to return the mailpiece to the recipient for payment of return postage.

**II. BACKGROUND**

**A. Overview of BPRS**

The Postal Service currently offers Bulk Parcel Return Service (BPRS) for machinable parcels only when they are undeliverable-as-addressed (UAA). BPRS is not defined to include opened and resealed parcels.

1 The Domestic Mail Manual (DMM)<sup>1</sup> provides that Standard (A) parcels which have been  
2 delivered, opened by the recipient, resealed, and redeposited in the mail without  
3 additional postage affixed should be returned to the recipient for payment of postage.  
4 There currently is no method for mailers to have BPRS-endorsed parcels which have  
5 been opened returned to mailers at their expense.

## 6 **B. Summary of Proposed Changes**

7 Some BPRS mailers have requested the Postal Service to allow addressees who have  
8 opened their parcels a vehicle to return these parcels at the original mailers' expense  
9 without the addressees' bearing a cost. The proposed DMCS revisions are an effective  
10 means to provide such a service in a manner that is beneficial to all parties concerned:  
11 the sender, the recipient and the Postal Service.

12 The key new feature of this proposal is to provide BPRS mailers who wish to retrieve  
13 their opened parcels and pay for their postage an effective means to do so. Under this  
14 proposal, the definition of BPRS is amended to include parcels that have been opened,  
15 resealed, and redeposited in the mail. It also provides a return label option. Under this  
16 option, the mailer would include in the parcel a return label, prepared at the mailer's  
17 expense to specifications set forth by the Postal Service, to authorize its customers to  
18 return opened, machinable parcels at the expense of the original mailer. The Postal  
19 Service anticipates requiring instructions to be provided with the labels concerning their  
20 proper use. Once returned to the mailstream, opened parcels would be handled in the  
21 same manner as other BPRS parcels. There would be no additional fee since there are  
22 no additional costs associated with extending the BPRS definition to include opened

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<sup>1</sup> See DMM D042.1.3 and F010.5.3.

1 and resealed parcels. Please see the testimony of Postal Service Witness Eggleston  
2 (USPS-T-2) for a discussion on the cost effects.

### 3 **III. JUSTIFICATION**

4 The revised BPRS addresses an existing problem and provides an effective solution  
5 that is beneficial to all parties concerned: customers, mailers and the Postal Service.

#### 6 **A. Beneficial to Customers**

7 The current BPRS service can cause some inconvenience for postal customers who  
8 wish to return opened and resealed parcels. If a customer receives a BPRS-endorsed  
9 mailpiece, opens it, then decides to return it, the customer should bring it to a post  
10 office and pay single-piece postage for return. If a customer drops an opened parcel in  
11 the mail without paying postage, the mailpiece should be returned to the customer and  
12 return postage collected. In reality, however, it is often more practicable or efficient for  
13 the Postal Service to return it to the original mailer together with the mailer's other  
14 BPRS parcels, with the return fee paid by that mailer. This is because: 1) it is inefficient  
15 for the Postal Service to incur the expense and difficulty of having the carrier return the  
16 parcel to the customer and seek payment of postage; or 2) it is not possible to tell that  
17 the parcel was opened; or 3) the fact that the parcel was opened is not discovered until  
18 the parcel is at or near the original mailer's delivery office. Another potential problem  
19 for customers is that the parcel may not always make it back to the original mailer.  
20 Depending on its condition, a parcel could be treated as dead mail and sent to a mail  
21 recovery center. Meanwhile, customers assume that their merchandise was returned  
22 and their account was credited. The proposal would alleviate these problems and

inconsistencies by providing an accepted means for return of opened parcels at the original mailer's expense.

#### **B. Beneficial to Mailers**

When return of opened parcels is delayed or impeded because recipients improperly return opened parcels to the mailstream, the original mailers may experience delays or lapses in having their merchandise returned, and may be denied customer payments and information. The proposal would benefit mailers by giving them an effective vehicle to retrieve (and pay for the return of) merchandise that their customers refuse after opening and inspection. If they choose to use the return label option, they can inform their customers that if they are not satisfied with the product, it can be sent back at no cost to the customer. This service gives them direct control to minimize customer dissatisfaction. Moreover, because the return label is an option and not a requirement, those mailers who do not wish to encourage returns need not include one. They may still indicate to the Postal Service, by means of the BPRS endorsement, that they are willing to pay for any returned parcels in the mailstream, whether UAA or opened and resealed. This provides the mailer with both the merchandise and any customer payment and correspondence included in a resealed parcel.

#### **C. Beneficial to the Postal Service**

The service is beneficial to the Postal Service as well. The new service will minimize both decision and transaction costs associated with the current procedures of dealing with opened Standard (A) parcels that are found in the mailstream. Postal personnel who find such parcels without postage would no longer need to make a decision about how to handle such pieces. As long as the pieces are endorsed for BPRS, they can be

1 handled like BPRS-endorsed parcels that are UAA. Moreover, this service will reduce  
2 any costs incurred by the Postal Service when such parcels are sent to and disposed of  
3 by the mail recovery center. In addition, it makes operational and financial sense to  
4 provide the option of return labels. As indicated by witness Eggleston, USPS-T-2,  
5 parcels with return labels are easier to process because labels: (a) are more readily  
6 detected and read than parcels which are hand written or stamped with "Return to  
7 Sender"; and (b) help prevent "looping" of parcels which can occur when the return  
8 address is unclear. The label option may reduce postal processing costs for returned  
9 parcels, and provide a service for mailers to use which permits their customers to return  
10 opened parcels without bearing a cost. Through the BPRS fee, the Postal Service fully  
11 recovers the costs of processing opened, resealed parcels that are redeposited into the  
12 mailstream, including postage due accounting. Witness Eggleston elaborates further on  
13 the cost issues in her testimony.

#### 14 **IV. CLASSIFICATION CRITERIA AND ISSUES**

15 Title 39, Section 3623 requires that the Commission make recommended  
16 decisions on changes in the classification schedule in accordance with the  
17 policies of the Title and the following factors:

- 18 (1) the establishment and maintenance of a fair and equitable classification  
19 system for all mail;
- 20 (2) the relative value to the people of the kinds of mail matter entered into the  
21 postal system and the desirability and justification for special classifications and  
22 services of mail;



- 1           (3)     the importance of providing classifications with extremely high degrees of  
2           reliability and speed of delivery;
- 3           (4)     the importance of providing classifications which do not require an  
4           extremely high degree of reliability and speed of delivery;
- 5           (5)     the desirability of special classifications from the point of view of both the  
6           user and of the Postal Service; and
- 7           (6)     such other factors as the Commission may deem appropriate.

8

9     With respect to these factors, the revised BPRS classification is designed to bridge a  
10    gap that exists in the current BPRS classification in a manner that is beneficial to all  
11    parties concerned. The classification change recognizes the need for this de facto  
12    segment (i.e., opened parcels) that can be handled in bulk along with other regular (i.e.,  
13    unopened parcels) with respect to postage calculation, or bypass entirely the delivery  
14    function and the final transportation leg. Once these parcels are found in the  
15    mailstream they are essentially captive to the postal system and cannot feasibly be  
16    returned using any other mode or system. In essence, something needs to be done to  
17    handle this segment. The classification change provides an effective mechanism to do  
18    so in a manner that is beneficial to all (criteria 2 and 5) as explained in the justification  
19    section above.

20    It is fair and equitable for the classification schedule to recognize the unique needs of  
21    the mailers and consumers who would benefit from the service as revised. Facilitating  
22    returns of parcels (both opened and resealed) is desirable and has a commercial value  
23    for shippers, consumers, and the Postal Service (criterion 1).

## **V. EXPEDITED MINOR CLASSIFICATION CASE CRITERIA**

The requested change meets the Commission's criteria for an expedited minor classification change. First, the proposal does not entail any fee changes for BPRS. Witness Eggleston has shown in her testimony that there are no additional costs associated with changing the classification of BPRS to include opened and resealed parcels or with the use of return labels. As such, the existing flat fee of \$1.75 would remain the same under this proposal. Second, the classification change does not impose any additional restriction of eligibility. As a matter of fact, the proposal extends eligibility by making Bulk Parcel Return Service available to opened and resealed parcels. Third, the proposal does not significantly change the estimated institutional cost contribution of BPRS. Given the small number of BPRS participants,<sup>2</sup> the lack of change in BPRS fee, and the lack of additional costs anticipated from this classification change, this proposal does not entail any measurable financial impact. Fourth, the Postal Service does not foresee any adverse impact from this proposal on mail users and competitors. As demonstrated above in the justification section, this proposal should be beneficial to both mailers and recipients. The Postal Service does not foresee any impact on competitors, since the parcels affected have already been entered into the postal system. For these reasons, the proposal described in my testimony meets the criteria of an expedited minor classification case.

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<sup>2</sup> According to the Bulk Parcel Return Service Cost Study that was submitted to the PRC in October 1998, only eight mailers were using BPRS during the data collection phase of the study.

**1 VI. FINANCIAL IMPACT**

2 The Postal Service foresees no measurable financial impact from this proposal. As  
3 explained above, this proposal might reduce costs. Given the small number of mailers  
4 who use BPRS, any change in costs or revenues would be minimal.